

*Federal-Provincial Fiscal Arrangements Act*

The Bill specifically protects against the damages and ravages of inflation. That is not what the six and five Bill did, and the Hon. Member ought to know it. We perform on our promises. We have performed on every promise we made—

**Mr. Frith:** Oh, oh!

**Mr. Blenkarn:**—and we have more promises to fulfil, but we have our term of office and we will be here for a long time. The Hon. Member ought to understand that.

**Mr. Frith:** Mr. Speaker, let me correct the record. In the heat of the exchange I made a mistake when I talked about the CPI. In effect it relates to the GNP. However, the Hon. Member opposite must surely agree that the net result of the proposed legislation on the floor of the House today is a situation whereby the provinces by 1991-92 will have to come up with the difference.

**Mr. Blenkarn:** Oh, no, they will not.

**Mr. Frith:** The Hon. Member can say what he wants, but the Bill will transfer the burden of deficit reduction off the backs of federal taxpayers and on to the backs of provincial taxpayers. That is all it will accomplish. That is the premise at the heart of the Bill, and Hon. Members do not want to discuss it.

**Mr. Hawkes:** Mr. Speaker, the Hon. Member raised the topic of cynicism. Canadians would be less cynical if he rose in the Chamber and really talked about the difference between the two Bills. When the Liberals brought in their six and five program, they were deliberately cutting transfers below the rate of inflation, which indeed would mean a loss to the provinces. Just to maintain services, they would have to pick up the differences. This Bill limits increases to inflation plus approximately 2 per cent. It goes beyond inflation, and educational institutions and hospitals can grow on federal dollars alone. If they are matched by the provinces, they can grow even faster. That is the big difference.

I have in my possession an Auditor General's Report. For the last year of the Hon. Member's Government, going into an election, the debt of the country was increased by 17 per cent to try to bribe voters. That is the root cause of cynicism.

Earlier we had an argument about the difference between Finance Ministers. During the last three years of the term of office of their Minister of Finance, they overestimated revenue and underestimated expenditures for every year, and the deficits were 25 per cent higher than they told us in the Chamber. That is also the root of the cynicism.

When they rise to try to tell Canadians that this Bill is worse than their Bill and the opposite is true, when they rise and support Finance Ministers who do not tell any of us the truth about any kind of fiscal planning, then they are responsible as a political Party and as individual Members for the cynicism out there. During the 1984 election campaign we told people that budgets had to be cut and that we could no longer

continue to borrow money. That is why we can stand in the Chamber with pride every time we support a budgetary cut. That is the position in which Conservatives find themselves—no cynicism, but reality.

**Mr. Frith:** Mr. Speaker, does the Hon. Member opposite truly have such a short memory? During the summer election campaign of 1984, did we ever hear budget reduction mentioned once by the Conservative Party?

**Some Hon. Members:** Yes.

**Mr. Frith:** Did we ever hear those words used by them? No, we did not. They said that universality was a sacred trust not to be tampered with. They never once mentioned to the Canadian public that they had a hidden agenda. They never once mentioned that during the summer campaign. In the Economic Statement of November 1984, did they mention to the provincial Premiers and Treasurers that the payments in 1986-87 would be cut? No, they did not. In the documents tabled with the May 1985 Budget, they showed no savings in transfers between the provinces, yet they double-crossed everybody by introducing legislation in 1986 which will cut to the total tune of \$317 million the transfer of savings to the provinces. It does not take a genius to figure out that the provinces will have to make up the difference.

[*Translation*]

**Mr. Clément M. Côté (Lac-Saint-Jean):** Mr. Speaker, I am very pleased to have an opportunity to speak to this Bill and, if I may, I will try to set the record straight after listening to the misleading statements just made by the Hon. Member for Sudbury (Mr. Frith).

Mr. Speaker, the proposed changes to the EPF legislation call for amendments to the 1977 statute on fiscal arrangements between the provinces and the federal Government. Pursuant to this statute, the federal Government is empowered to contribute to provincial post-secondary education and health programs, commonly referred to as EPF or Established Programs Financing.

The main amendment is a simple change to a provision of the existing legislation which sets the rate of increase of EPF transfer payments.

Contrary to what the Hon. Member for Sudbury has just said, this amendment is part and parcel of our strategy aimed at reducing the deficit, as advocated in the May 1985 Budget.

As of April 1, 1986 EPF transfers will continue to increase as is the case now, that is geared to GNP and population figures, the difference being that they will be set at growth less 2 per cent. Therefore it is totally false to pretend that they will be reduced.

In spite of this change, the average rate of growth of cash and tax point federal contributions will be 5 per cent annually during the next five years. A total of over \$90 billion will have been allocated to provincial health care and post-secondary